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Indonesia

Grain and Feed

Drought Impact on Rice Production

2003

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Report Highlights:
Current precipitation levels in major rice producing areas (Java and Sumatera) are significantly below normal; however, they are similar to the levels in 2002. Some 450,339 ha of rice areas are affected by the drought and 91,122 ha are expected to be lost. New plantings in marginal areas are expected to help offset the losses. Thus, MY2003 rice production is expected to be 51.5 MMT. Delay in the next planting season is anticipated, but it will not be worse than last year. Bulog's stock level is high (2.6 MMT) and rice imports are expected to remain at 3.5 MMT in MY2003.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Jakarta [ID1]
[ID]

DROUGHT IMPACT ON FOOD CROP PRODUCTION

Summary:

As Indonesia has again been faced with a long dry season, the press and media are taking advantage of mixing politics with the most important crop in Indonesia, rice. Gearing up for the 2004 election season, some observers believe that reports on the extreme and severe drought are politically motivated. While the MY2003 "dry season" drought condition is elevated compared to MY2002, overall rice production in MY2003 is expected to be similar to the previous calendar year. Lost crops due to the drought are expected to be picked up by crops harvested in marginal land areas. As a result, imports of rice are not anticipated to increase at this time.

Precipitation & Soil Moisture Levels

Current precipitation level reports indicate that rainfall in Java and Sumatera (the primary rice producing areas in Indonesia) are significantly below normal "average" levels. However, MY2003 levels are comparatively similar to MY2002 levels in most rice producing areas throughout Indonesia. Similarly, when comparing "surface soil moisture" and "soil moisture" levels for both periods, like conclusions can also be made. Thus, precipitation levels during the MY2003 dry season is not likely to have a significant impact on this years rice production. In terms of the next planting season September-November, post sources anticipate some delays, but nothing more than what was experienced in MY2002.

According to the Indonesian Meteorological and Geophysics Agency (Badan Meteorologi dan Geofisika – BMG), the current dry season conditions are not too severe, but some water reservoirs levels are somewhat lower than the previous year. Conditions on Java are reportedly dryer than other islands. According to post sources, the current drought is also partially a result of deforestation in the major resource areas supporting main water reservoirs, as well as problems with old and not maintained irrigation systems in Java. Thus, the dry conditions that may be impacting rice harvests are not completely due to lack of rainfall.

Production

While the long dry season in MY2002 caused the MY2003 rice harvest to be delayed by two months, production goals where still met. By using MY2002 as a benchmark, post anticipates the crop in MY2003 to meet overall production estimate at 51.5 MMT. The total area planted for rice in MY2003 totaled 11.5 million hectares. Of this total area planted, 450,339 ha were affected by the drought and 91,122 ha are expected to be lost, as of mid-August MY2003. The conditions in MY2002 were 348,512 ha affected by dry season drought conditions with 41,690 ha (166,760 MT) failed. While losses are expected, these declines are being offset by higher production in marginal land areas, such as swamps. In MY2003, 284,000 ha of rice were planted in marginal land areas, as of July MY2003. However, a total of 420,000 ha is expected to be planted in this area through September. The harvest from this alternative area will help offset losses resulting from the current 91,122 ha that are reportedly already lost.

Trade

Even with expected nominal losses in production, due to the drought, rice imports are expected to remain steady at 3.5 MMT in MY2003. This is a result of Bulog's rice stock levels. According to the GOI, Bulog maintains 2.6 MMT in rice stocks, which are available for release if needed. Therefore, nominal changes in production are not likely to result in an increase in rice imports. Currently, trade contacts report that demands for rice imports remain stable. However, an increase in rice smuggling may be anticipated, as demand for low priced rice increases during the Moslem Ramadan and Idul Fitri holidays (during the month of November).

Bulog & Its Rice-for-Poor Program

Bulog proposed to have an additional Rp. 702.9 billion budgeted (US$ 82.7 million at Rp. 8,500/US$1) for 300,000 MT of rice at Rp. 2,343/kg in MY2003, in anticipation of additional needs to help the poor. For MY2003, the government has allocated food subsidies for 8.2 million people worth approximately Rp. 4.8 trillion (US$ 564.7 million), i.e., equal to 2.0 MMT of rice. So far, Bulog has no plan to import rice this year as they anticipated the situation and brought in some rice last year. Now, they only have around 60,000 MT of rice carry over from contracts last year. Sources indicate that the GOI through Bulog may make a government-to-government counter/barter trade deal for rice later in the year with the Government of Thailand.

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